THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The global financial crisis which surfaced in August 2007 had its origin in the meltdown of the US housing market and consequent sub-prime mortgage loan delinquencies and rising home foreclosures. This in turn led to a steep fall in the prices of mortgage-backed securities, whose value is derived from mortgage payments. The financial institutions-investment banks, structured investment vehicles, hedge funds, etc. - with too little capital were unable to deal with the resultant losses and write-downs. Further, as these institutions did not have recourse to central bank facilities, they were also unable to cope with the liquidity crunch that followed, thereby amplifying the crisis. The turmoil in international financial markets intensified in August-September, 2008 with the failure of major international financial institutions.

Indian banks have very limited exposure to the US mortgage market, directly or through derivatives, and to the failed and stressed international financial institutions. The crisis in the international financial markets could impact the Indian equity and foreign exchange markets directly. The money, debt and credit markets could also be affected, albeit indirectly, raising costs of funds to Indian corporates. The macroeconomic impact of the global financial turmoil has been muted due to the overall strength of domestic demand and the predominantly domestic nature of financing of investment. The fundamentals of the Indian economy have been strong and continue of be strong.

The Government has been closely monitoring these developments in international financial markets and reviewing the emerging domestic financial market situation. There is a regular institutional mechanism in the form of a High Level Coordination Committee on Financial Markets (HLCCFM) with the Governor, RBI as Chairperson to oversee the regulatory and policy issues relating to Indian financial markets. The HLCCFM in its last meeting on October 1, 2008 reviewed the developments in the domestic financial markets and assessed the soundness of the systemic framework and the preparedness of all regulators to act in a coordinated and timely manner to deal with the emerging market situation in order to ensure smooth functioning of the markets.

SCAMS in private and foreign banks

366. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether Government has taken any decision to introduce any special scheme to unearth the irregularities and scams in private and foreign banks;

(b) if so, the salient features of the scheme; and

(c) by when the above scheme is likely to be implemented?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) As a proactive measure for strengthening financial stability and with a view to enhancing public confidence in the robustness of the financial sector, Reserve Bank of India (RBI) has, vide its circular dated 18.04.2007, implemented a scheme called "Protected Disclosures Scheme for Private Sector and Foreign Banks". The salient features of the Scheme include the areas of complaints such as corruption, misuse of office, criminal offences,

suspected/ actual fraud, failure to comply with existing rules and regulations such as Reserve Bank of India Act, 1934, Banking Regulation Act 1949, etc. and acts resulting in financial loss / operational risk, loss of reputation, etc. detrimental to depositors' interest/ public interest. The Scheme also provides the procedure for lodging complaints under the Scheme, framing protected disclosure policy by banks, etc. As per the Scheme, employees of the bank concerned (Private sector and foreign banks operating in India), customers, stake holders, Non-government Organisations (NGOs) and members of public can lodge complaints. The detailed Scheme is available at RBI website www.rbi.org.in.

Outstanding liability

367. SHRI N.K. SINGH: Will the Minister of FINANCE be pleased to state:

(a) what is the outstanding liability of Government as a proportion of GDP;

(b) whether Government is considering proposals to reduce interest burden on outstanding Government liabilities; and

(c) if so, what are the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The outstanding liabilities of the Consolidated General Government, (consisting of the Central and State governments), of both internal and external variety, as a proportion of GDP is 77 per cent for 2007-08 (RE) and is 73.4 per cent for 2008-09 (BE).

(b) and (c) Consequent on the reduction in fiscal deficit in a phased manner as per Fiscal Responsibility and Budget Management Act/Rules (FRBM) road map, the Union Government has taken steps such as lower market borrowing and phased introduction of active consolidation of debt. The 2008-09 (BE) provides Rs. 2400 crore towards active consolidation of debt.

At the State level, fiscal legislation has been enacted by 26 States; consolidation of the debt of 25 States and relief in the form of rescheduling of debt at lower interest rates and debt waiver for fiscal correction as per the award of the Twelfth Finance Commission has been made.

Increments for employees

368. SHRI KAMAL AKHTAR: Will the Minister of FINANCE be pleased to state:

(a) whether with the implementation of the report of Sixth Pay Commission, employees whose last date of increment falls between February and June 2005 were delayed their due increments;

(b) if so, the reasons therefor;

(c) whether it is a fact that the employees whose last date of increment was in January, and between August and December were advanced;

(d) if so, the reasons for differential treatment to certain group of employees;